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Investments for the Lithuanian Economy

Combined FI for public sector buildings

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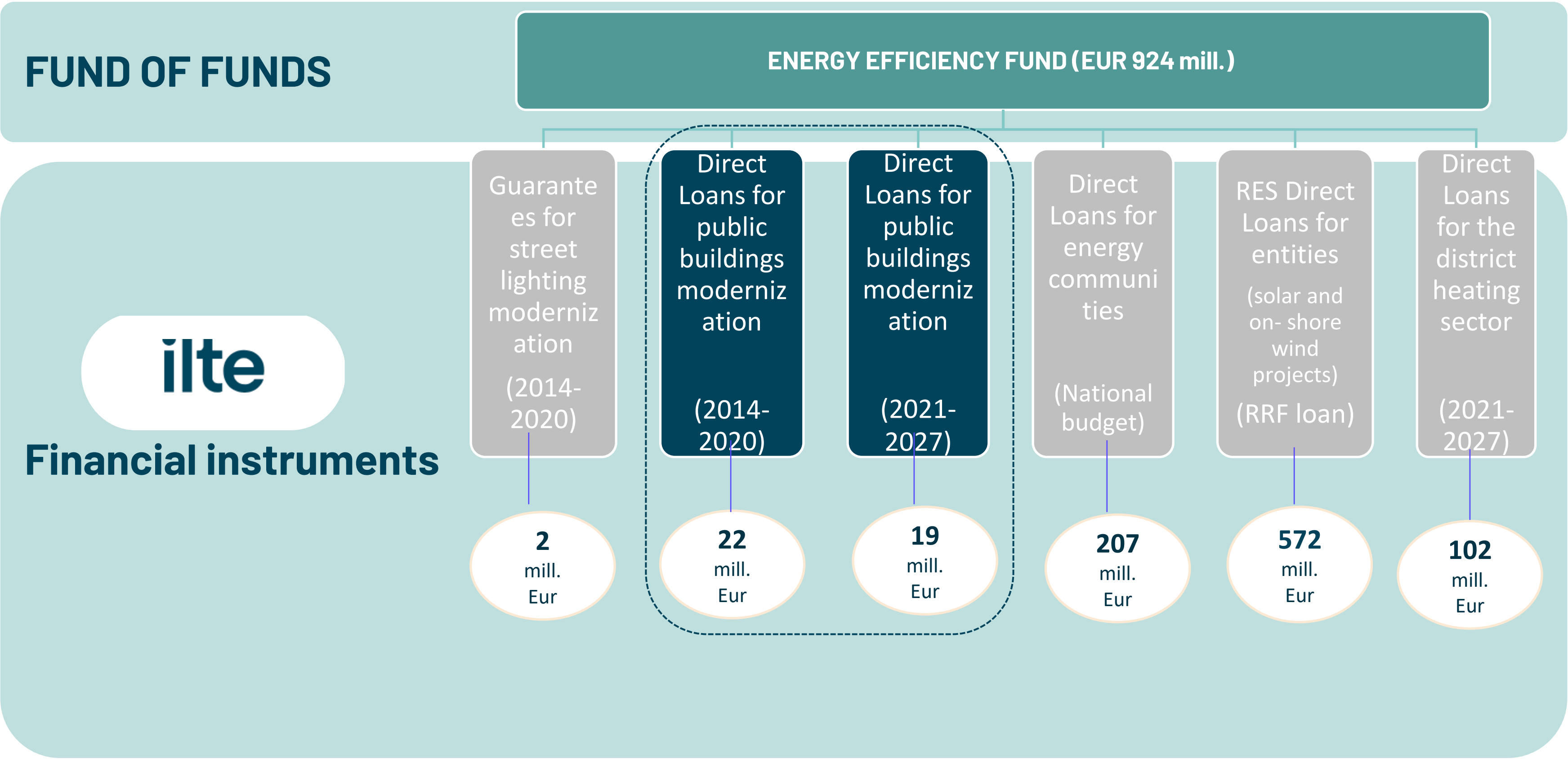
*Since September 2024, INVEGA is acting as ILTE. This long-awaited change reflects organization's ongoing transformation. A year ago, four Lithuanian National Promotional Institutions united, pooling their financial and human resources. Now, ILTE is building further on this foundation to enhance the added value for both its clients and the State.

Development and implementation of financial instruments for state - owned public sector buildings


FUND OF FUNDS
ENERGY EFFICIENCY FUND (EUR 924 mill.)
ilte
Financial instruments
Guarantees for street lighting moderniz ation (2014-2020)
Direct Loans for public buildings moderniz ation (2014-2020)
Direct Loans for public buildings moderniz ation (2021-2027)
Direct Loans for energy communi ties (National budget)
RES Direct Loans for entities (solar and on- shore wind projects) (RRF loan)
Direct Loans for the district heating sector (2021-2027)
2 mill. Eur
22 mill. Eur
19 mill. Eur
207 mill. Eur
572 mill. Eur
102 mill. Eur

EE projects for state - owned public sector buildings

Our project executors:

- The manager of centrally managed state assets;
- The public institutions in the field of healthcare;
- The public institutions in the field of education;
- The ESCO model is not included as a possibility.

Modernization of **municipal public buildings** is **outside the scope** of this financial instrument

2014-2020 Period - FI for State-Owned Public Buildings

Main financing conditions

- Direct loan
- 30 % Grant / 70 % Loan
- up to 2% fixed interest + EURIBOR (actual can be as low as 0%)
- up to **20 years** loan maturity
- 24 month grace period (during construction)
- no collateral required
- loan amount - up to 100 % EE investment in case of direct lending and up to 80% in case of ESCO

Main challenges

- the payback period for projects was longer than 20 years
- Energy savings did not allow for the recovery of initial investments
- Need to have not only EE investments
- Slow start of FIs - raising public awareness (educational process), changing mentality, subsidies vs loans, challenge to shift thinking from “grants” to “revolving investments”
- Budgetary establishments may not borrow funds or assume any liabilities, so they could only implement EE projects by purchasing ESCO
- most ESCO companies are financially unable to take on long-term financial obligations

Corrective measures

- Grant 70%
- Interest rate up to 2 % . Capped
- EE investments + not EE investments (80/20 proportion)
- Facilitating and promoting FI’s
- Centralized public real estate manager appointed
- Technical assistance measures introduced
- Improving building ownerships related obligation system
- Quality assurance system introduced
- Use “One stop shop” concept

FI COMBINATION WITH GRANT

(CPR 2021/1060, The National Law)

REGULATION (EU) 2021/1060,

SECTION II, ARTICLE 58: FINANCIAL INSTRUMENTS

Combined Support: Financial instruments can be combined with grants in a single operation, managed by the same body.

Rules: The rules for financial instruments apply to the entire operation.

Grant Limit: Grants must be directly linked to the financial instrument and cannot exceed the value of the investments supported by the financial product.

LAW OF NATIONAL PROMOTION INSTITUTION,

ARTICLE 6: FUNCTIONS OF NPI'S

Financial Instruments: NPIs implement financial instruments or manage funds of funds.

Grant Limit: When combined with a financial instrument, grants cannot exceed half its value.

The Regulations outline the rules for combining financial instruments with grants and set limits on the amount of grant support that can be provided.

Financial instrument, scheme

Project expenditure (Construction)

≤70 % Grant — CPVA Central project management agency

≥ 30 % Loan — ilte

\+

≤ 20 % Grant for technical documentation — ilte

GRANT

(Managed by CPMA Central Project Management Agency)

Financial instrument

(Managed by ILTE)

Modernization of state - owned public buildings

Key conditions of financial instrument

Financing object: modernization projects of public buildings by increasing the energy efficiency

Customer base:
state - owned public institutions or state - owned enterprise that centrally manages state real property

Form of financing: **direct loan combined with grant**

Interest rate: 1 % + 6 months EURIBOR, but **up to 2 %** (common for all customers)

Loan amount **not limited**
Down payment **not applied**

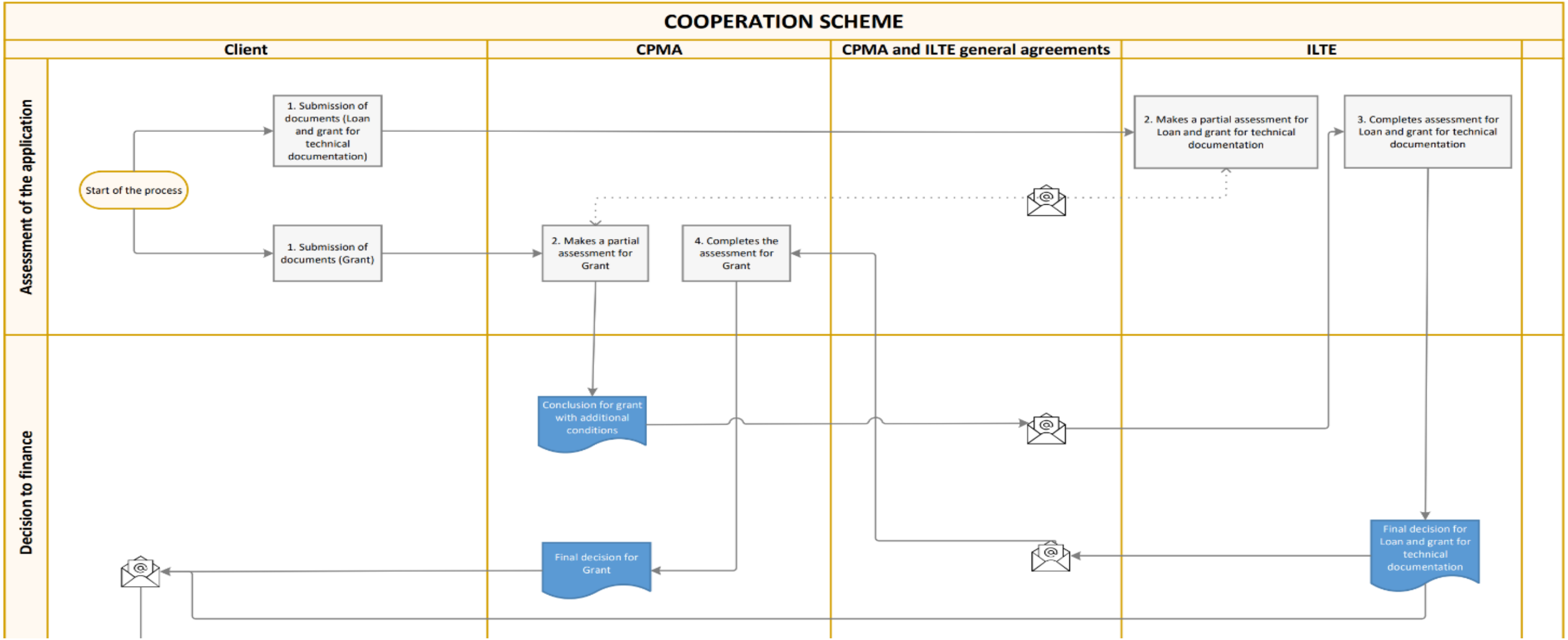
Loan term **up to 20 years**

Allocated amount for loans **18.6M EUR** from ESIF 2021-2027

Call date: expected **Q4, Y2024**

de-minimis **indirect State aid to businesses in public property**

ILTE SOFT LOAN combination with CPMA GRANT (1)
(cooperation scheme)



ILTE LOAN combination with CPMA GRANT (2)

- **One-stop-shop principle is not feasible <u>at the application stage</u>** due to the fact that the application for a CPMA grant is submitted through INVESTIS, to which ILTE does not have access. For this reason, the Client submits separate applications to:
  - ILTE – for a loan and for the approval of technical documentation for the grant
  - CPMA – for the CPMA grant
- **During the evaluation stage, ILTE does not duplicate CPMA's evaluation criteria:**
  - CPMA assesses the eligibility of project costs and provides an evaluation conclusion to ILTE
  - ILTE assesses KYC/AML, credit, and project risk
- **The decision-making process for project financing:**
  - ILTE takes a decision to issue the loan and/or approval of technical documentation for the grant. The decision is forwarded to CPMA
  - When ILTE decision to issue the loan is taken, CPMA decides upon grant. If ILTE decision is negative, the CPMA grant is not awarded.
- ILTE and CPMA plan to share project information with each other not only during the application evaluation and decision-making stages but also during the reimbursement of eligible costs.

Conclusions

- Banks initial reluctance and distrust
- Banks – being risk averse
- Success in lowering gas prices, heating prices (for example: LNG terminal)
- Limitations within construction sector, as mostly small companies bid for contracts
- Challenges to achieve real savings (economic viability) vs high cost of deep renovation
- Need for additional subsidies in modernization projects
- ESCO model new and scary beast to use
- Need to have not only EE investments

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Thank you

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Lithuanian municipalities debt limits - overview

Municipality	Debt limit, %	Real debt, %	Revenue, mill EUR Y 2021	Debt, mill EUR Y 2021
Vilnius City	**75 %**	53,2 %	416	221
Kaunas	**60 %**	29,6 %	215	64
Klaipeda	**60 %**	10,9 %	119	13
Siauliai	**60 %**	20,3 %	70	14
Panevezys	**60 %**	11,0 %	58	6
Other manicipalities	**60 %**	20,8 %	1 142	238
Total	**-**	***27,5 %***	***2 020***	***556***

Achievements

Energy Efficiency Fund

Financial instrument for public sector buildings 2014-2020 period

Total number of projects (buildings):	**50 buildings**
Investments:	**18,92 mln. Eur.**
Total area of renovated premises:	**178 068 sq. meters**
Annual reduction in primary energy consumption:	**12 764 837 kWh per year**
Annual greenhouse effect CO2 reduction:	**2045 tons per year**

Our projects before and after

Dignitary Protection Service HQ building

AFTER

Our projects before and after

Vilkija agricultural school

AFTER